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NEWS RELEASE

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PSC ACCEPTS SETTLEMENT IN DUKE ENERGY RATE CASE
Electric rate adjustment is first since 1992

FRANKFORT, Ky. (Dec. 21, 2006) – The Kentucky Public Service Commission (PSC) today approved a settlement that grants Duke Energy Kentucky, Inc. its first increase in electric base rates in 14 years.

For an average residential electric customer – one with monthly usage of 1,050 kilowatt-hours – the monthly bill will rise from \$72.98 to \$81.59. That is an increase of \$8.61, or 11.8 percent. The new rates begin next month.

Residential bills will increase by less than half the amount originally requested by Duke Kentucky (formerly known as The Union Light, Heat and Power Co.) The company had sought to raise the average monthly residential bill by \$17.57 (24.1 percent), bringing it to \$90.55.

The settlement approved today by the PSC was negotiated by Duke Kentucky and the three parties that intervened in the case: the Kentucky Office of Attorney General, the Kroger Co., and St. Elizabeth Medical Center.

Duke Kentucky has 132,000 electric customers in Boone, Campbell, Kenton, Grant and Pendleton counties. Rates for the company's 92,600 natural gas customers are not affected.

In 2001, the PSC encouraged Duke Kentucky to acquire its own electric generation facilities, rather than continue to purchase power from an affiliated company. Owning generating capacity would help insulate Duke Kentucky from price fluctuations in the wholesale electric power market, the PSC said.

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Two years later, Duke received PSC approval to purchase generating capacity from The Cincinnati Gas & Electric Co. In the same order, issued in December 2003, the PSC ordered Duke Kentucky to file an electric rate adjustment during 2006, with any new rates to take effect on Jan. 1, 2007.

Duke Kentucky filed its rate application in June, seeking to increase its total revenues by \$66.5 million. The settlement agreement allows Duke Kentucky a revenue increase of \$49 million.

The rates adopted in the settlement more accurately reflect the costs of serving each type of customer, whether residential, commercial or large industrial.

Today's order and related documents are available on the PSC Web site, psc.ky.gov. The case number is 2006-00172.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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